



NORWEGIAN HULL CLUB

Nordic Plan and it's practical implications

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Paolo Murgia
Stefania Nigro
Marlena Truszczynska



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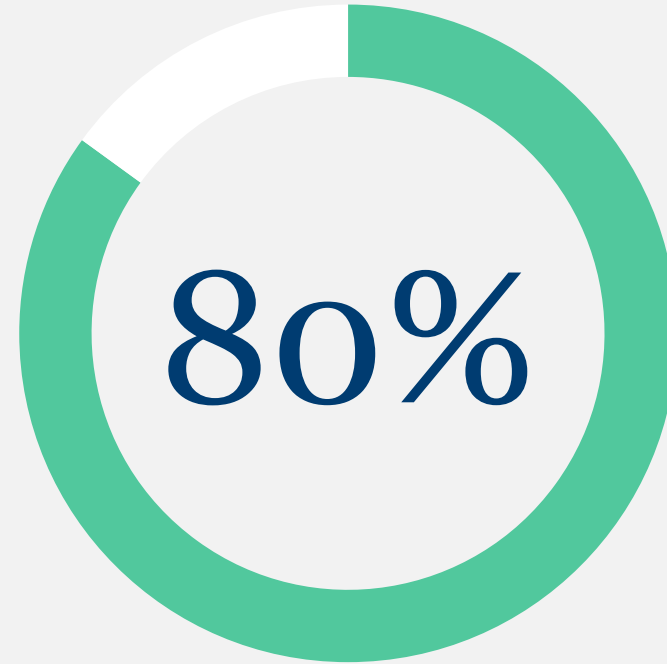
Serving diverse clients

- Shipowners
- The Offshore Energy industry
- Shipyards
- Yacht Owners





9,657
vessels insured in 2023



80% of our clients
are outside Norway

Nordic Plan

- All risks policy, Cl. 2-8, all is covered unless excluded
- Burden of proof, Cl. 2-12
 - ✓ The assured: to prove he suffered a loss accidental in nature
 - ✓ The insurer: to prove the loss has been caused by an excluded peril
- Combination of perils, Cl. 2-13 – no dominant cause principle, apportionment





Assured's duties

- Notify
- Avert and minimize the losses
- Provide the documents for the adjustment

Duty to notify

- without undue delay, Cl. 3-29
- within 12 months of the assured becoming aware of the casualty, Cl. 5-23

NMIP, Cl. 3-36.

The insurer may not invoke against the assured faults or negligence committed by the vessel's master or crew in connection with their service as seamen.



Duty to avert & minimize the loss + insurance coverage

NMIP, Cl. 3-30

If a casualty threatens to occur or has occurred, the assured shall do what may reasonably be expected of him in order to avert or minimise the loss (...)



Extraordinary measures?

- General average incl. salvage
 - Assumed general average
 - Particular measures (sue & labour)
-
- ✓ No deductible applicable
 - ✓ No underinsurance

The wind breaks the moorings of a cruise ship: over a thousand people on board

The boat of 228 meters in length recovered with 5 tugs



Un momento delle operazioni di recupero della nave Viking Sea attraccata al Porto di Ravenna (A Guardia Costiera di Ravenna)

Bad adventure for the 870 passengers and approximately 200 crew members of the Viking Sea cruise ship.

Insurers' duties as per NMIP

To
do:

Support the client

Make payment on
account

Issue the adjustment &
pay

As claims leader – act
on behalf of co-insurers





H&M and LOH cover
Daily amount,
USD 60.000

Payment on Account Duty

If the assured, before the adjustment can be issued, proves that he has incurred, or will in the near future incur, major expenses or losses which are covered by the insurance, he is entitled to an appropriate payment on account.





Condemnation criteria: NMIP

Cost of repairs = **80%** of
the insured value or more

NMIP Insurer's liability

SUM INSURED

1. *Loss/ damage +*
2. *Collision liability (100%)+*
3. *GA, Salvage, Sue & Labour*

+ IN ADDITION

4. *Legal costs*
5. *Superintendent*
6. ***INTEREST at 8,50% in 2024!***



| ITEM | TOTAL | DISBURSEMENTS | TOTAL LOSS |
|------|------------|---|------------|
| | USD | At Nigeria, November 2020 | USD |
| 1 | [REDACTED] | Sum insured | [REDACTED] |
| 2 | 9 063,84 | [REDACTED] Management Superintendent's attendance between 4-15th November 2020, [REDACTED] | 8 400,00 |
| | | Travel costs for [REDACTED] <u>Note:</u> Items claimed under position 26,27 and 40. | 663,84 |
| 3 | 16 500,00 | [REDACTED] Superintendent's involvement from 2-24th November, [REDACTED] <u>Note:</u> Due to Covid-19 restrictions, physical attendance was not possible. Due to complexity of the claim, attendance/involvement of the second superintendent allowed as per Cl. 4-5 | 16 500,00 |
| | [REDACTED] | No deductible applicable to total loss claim | [REDACTED] |
| | | Interest at USD 3,91% p.a. | 279 942,44 |
| | | TO BE CARRIED FORWARD | [REDACTED] |

Recoveries

Divided proportionately between the insurer and the assured

| | | |
|--------------------|------------|----------------|
| PA net claim: | USD | 400.000 |
| <u>Deductible:</u> | " | <u>200.000</u> |
| Total: | USD | 600.000 |

Recovery: USD 300.000

| NMIP | UWRS | OWNERS |
|----------|---------------|---------------|
| Paid | 400.000 (2/3) | 200.000 (1/3) |
| Recovery | - 200.000 | - 100.000 |

II HULL

10. General rules relating to the scope of the hull insurance

11. Total loss

12. Damage

13. Liability of the assured arising from collision or striking

Part two

HULL INSURANCE: DAMAGE & LIABILITY



Chapter 12, Damage

- **NMIP:** Insurers liability to restore the vessel to the condition it was in prior to the damage, Cl. 12-1
 - ✓ Betterment excluded
 - ✓ No deductions new for old

NMIP toolbox: 20% rule

Insured value * X days saved * 20% / 365 days

CASE STUDY: From 164 to 80 days

- Insured value: USD 10.700.000
- Daily amount under 20% rule = USD 5.863/day
- Cheapest tail shaft + freight = USD 192.000/ 164 days
- Ordered shaft + air freight = USD 1.243.300 / 80 days
- Allowed under H&M:

USD 192.000 + 84 days saved, total 492.493 =

USD 684.493



NMIP toolbox: 20% rule

Tendering

Over 10 days

Choice of repair yard

Faster is allowed

Temporary repairs

- Always allowed if necessary
- 20% if for commercial reasons

Expediating repairs

Overtime, more expensive parts
but faster



Choice of repair yard, 12-12

The assured decides which yard shall be used (...) In case the fuel consumption for removal is reduced by not choosing the lowest adjusted tender, the insurer's maximum liability is further increased with up to USD 40 (or equivalent in the currency of the policy) per ton CO₂ emission saved.

Choice of repair yard

Insured value: USD 10.000.000

| | Yard A | Yard B |
|--|--------------------------------|--------------------|
| Cost of repairs | USD 630,000 | USD 500,000 |
| Adjusted tender incl. crew wages and bunkers | USD 676,000 | USD 615,000 |
| | Difference = USD 61,000 | |
| Time: | | |
| At the yard: | 19 days | 22 days |
| Removal time: | 2 days | 5 days |
| Total estimated time of repairs: | 21 days | 27 days |



Owners choose Yard A: 21 days and USD 676.000

| Vessel insured for USD 10 mill | Yard A |
|--|-----------------------|
| Cost of cheapest repair yard (yard B): | USD 615,000 |
| + 20% rule (6 days saved) | USD 32,877 |
| Max allowance under 2023 and earlier Plan versions: | USD 647,876.71 |
| +Allowance for reduced emissions: 472,5 MT CO2 * USD 40/MT | USD 18,900 |
| Max allowance under the new provision in 2023 version: | USD 666,776.71 |





Chapter 13, Liability

- Full liability 4/4ths
- Collisions
- Striking
- Tort and contract

- Exclusions:
- Related to P&I liabilities

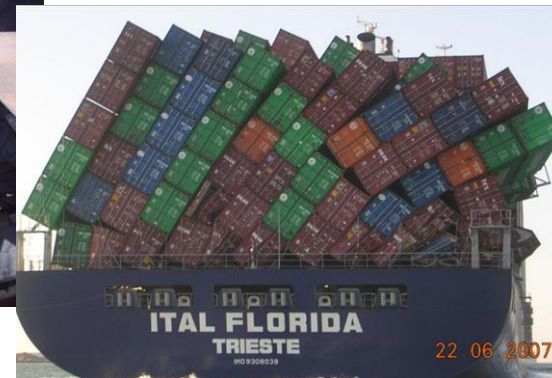
Part Three

OTHER INSURANCES:
LOSS OF HIRE



Chapter 16, Loss of hire

- Physical damage +
- Extensions!



Toolbox!

Extraordinary expenses in order to avert or minimize the loss

- The Plan 16-11 - Costs incurred to save time:

The insurer shall be liable for extra costs incurred in connection with temporary repairs and in connection with extraordinary measures taken in order to avert or minimize loss covered by the insurance

From 164 to 80 days (NMIP – H&M + LOH)

- Ordered shaft + air freight = USD 1.243.300 / 80 days
- H&M: USD 684.493
- Cost not recoverable from H&M: USD 558.807
- LOH: time actually lost + USD 558.807 (Cl. 16-11!)



Cl 16-13 Loss of time after completion of repairs

General starting point: Vessel available in spot market – i.e. no compensation

Four extensions

- a) Until vessel can resume activity under contract of affreightment applicable at time of casualty
- b) Liner vessels
- c) Voyage to first loading port under a contract fixed before the casualty
- d) Passenger vessels will get LOH compensation until they can resume service. Max 14 days recovery after completion of repairs

Case study – Liner vessel

- 14/120/120 at USD 36.170 per day
- Serving a shipping line with 98 days rotation
- Due to the incident the normal line rotation was cancelled
- LOH covered 50 days waiting time to re-enter the line, USD 1.8 mill
- *+ interest*





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THANK YOU!



Paolo Murgia

Claims Handler
Claims - Marine
Bergen



Stefania Nigro

Claims Handler
Claims - Marine Oslo
Oslo

EXPECT MORE

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